

THE CITY OF SOUTH BEND

# NEIGHBORHOOD STABILIZATION PROGRAM 3

---

## SUBSTANTIAL AMENDMENT

Stephen J. Luecke - Mayor

### South Bend City Council

Derek Dieter  
Henry Davis Jr.  
Tom LaFountain  
Ann Puzzello  
David Varner  
Oliver Davis  
Al Kirsits  
Timothy Rouse  
Karen White

Prepared By:

The Department of Community & Economic Development  
Jeffrey V. Gibney, Executive Director

Division of Community Development  
1200 County City Building  
227 W. Jefferson Blvd  
South Bend, IN 46601  
Pamela C. Meyer, Director

**Submitted to HUD: March 1, 2011**

**Amended: March 4, 2011**

**March 7, 2011**

**May 31, 2011**

## TABLE OF CONTENTS

<b>SECTION I. FORWARD .....</b>	<b>3</b>
<b>SECTION II. NSP3 SUBSTANTIAL AMENDMENT .....</b>	<b>5</b>
1. NSP3 Grantee Information .....	5
2. Areas of Greatest Need .....	5
3. Definitions and Descriptions .....	8
4. Low-Income Targeting .....	13
5. Acquisition and Relocation .....	14
6. Public Comment .....	14
7. NSP Information by Activity .....	15
<b>SECTION III. CERTIFICATIONS .....</b>	<b>21</b>
<b>APPENDIX I. MAP SUBMISSION .....</b>	<b>24</b>
<b>APPENDIX II. PUBLIC COMMENTS .....</b>	<b>28</b>

## **SECTION I. FORWARD**

The following Substantial Amendment to the City of South Bend's Community Development Block Grant Action Plan for the Neighborhood Stabilization Program 3 (NSP3) is based upon the optional template recommended by the Department of Housing and Urban Development (HUD). For ease of reading by the public, text directly from the recommended template will be in *italics*. This is to help inform the public of what HUD is asking City staff to respond to.

Correspondence regarding this amendment from the public shall be directed to:

Pamela C. Meyer  
Director, Community Development  
1200 County-City Building  
227 W. Jefferson Blvd.  
South Bend, IN 46601  
By Phone: 574-235-5845  
By Fax: 574-235-9697  
By Email: [pmeyer@southbendin.gov](mailto:pmeyer@southbendin.gov)

Members of the public who are interested in learning more about the NSP3 are encouraged to visit: [www.hud.gov/nsp](http://www.hud.gov/nsp)

\*\*\*\*\*

Please know this is an amendment to the City of South Bend's Community Development Block Grant Action Plan for the Neighborhood Stabilization Program 3 (NSP3) and that the document contains proposed changes. Text with a ~~striketrough~~ shall be regarded as deleted and new text will be presented in *underlined italics*.

\*\*\*\*\*

## **AMENDMENT SUMMARY**

The City of South Bend wishes to amend its plan for Neighborhood Stabilization Program 3 (NSP3) funds which was previously submitted and approved by HUD. The amendment does not introduce new activities. The purpose of this amendment is to decrease the amount of funding spent on Administration of NSP3 and increase the amount of funding spent on the provision of Permanent Rental Housing for Special Need Populations. In addition, this amendment includes clarifications requested by HUD which do not modify the intent of the program. The City believes the modifications are consistent with the initial plan submitted to HUD and that it will reinforce previous and existing investment and assist with the abandonment and foreclosure problem.

## **SECTION II: NSP3 SUBSTANTIAL AMENDMENT**

### **1. NSP3 Grantee Information**

<b>NSP3 Program Administrator Contact Information</b>	
<b>Name (Last, First)</b>	Meyer, Pamela C.
<b>Email Address</b>	<a href="mailto:pmeyer@southbendin.gov">pmeyer@southbendin.gov</a>
<b>Phone Number</b>	(574) 235-5845
<b>Mailing Address</b>	227 W. Jefferson Blvd. 1200 County-City Building South Bend, IN 46601

### **2. Areas of Greatest Need**

#### **Map Submission**

*The map generated at the HUD NSP3 Mapping Tool for Preparing Action Plan website is included as an attachment.*

#### **Data Sources Used to Determine Areas of Greatest Need**

**Describe the data sources used to determine the areas of greatest need.**

*Response:*

In determining its NSP3 target area, the City of South Bend looked at the following data:

- HUD need score;
- Mortgages executed and percentage of loans considered to be high cost, between 2004-2007;
- Rate of mortgages 90 or more days delinquent or in foreclosure, June 2010;
- Estimated foreclosure starts and completions, July 2009 – June 2010;
- Foreclosures occurring from 2001-2007; and
- Percentage of residential units vacant, as of March 2008.

All data, except for foreclosures occurring from 2001-2007, was provided by HUD. The data was made available through HUD's NSP3 website under "Data by State" and is titled "NSP3 Downloadable Data Files." In the amendment it will be referred to as HUD provided data.

The foreclosures' occurring from 2001-2007 data was compiled by the City of South Bend Division of Community Development from Sheriff Sale results.

#### **Determination of Areas of Greatest Need and Applicable Tiers**

***Describe how the areas of greatest need were established and whether a tiered approach is being utilized to determine the distribution of funding.***

***Response:***

The City of South Bend examined a number of factors in order to determine its NSP3 target area.

HUD provided grantees with block group level data in order to help determine its NSP3 target area; this data includes the need score of the census tract as well as the minimum need score required in order for the geography to be an eligible target area. Based on the minimum need score of 17 for South Bend, the community has 31 census tracts that could qualify for NSP3 investment. As a result, further consideration was needed in order to determine where NSP3 funds would best be utilized.

HUD also provided data on the number of primary mortgages executed between 2004 and 2007 as well as the percentage of loans made between 2004 and 2007 that are considered high cost. High cost loans are considered to be loans with an interest rate three percentage points higher than a benchmark rate (for a first mortgage); these types of loans contributed to poor lending practices that led to the housing crisis. Over 50% of the mortgages executed in Census Tract (CT) 10 between 2004 and 2007 are considered high cost.

Table 1: Mortgages executed and percentage of loans considered to be high cost, between 2004-2007

<b>Area</b>	<b>Mortgages Executed between 2004 to 2007</b>	<b>Percentage of Mortgages between 2004 to 2007 considered High Cost</b>
CT 9, Block Group 1	84	38.8%
CT 10	374	52.4%

HUD's data included an estimated rate of mortgages Seriously Delinquent (90 or more days delinquent on payments or in foreclosure). In both CT 9 and 10, over 10% of households with a mortgage were estimated to be delinquent or in the foreclosure process in June 2010.

Table 2: Rate of mortgages 90 or more days delinquent or in foreclosure, June 2010

<b>Area</b>	<b>Estimated Rate of Mortgage Seriously Delinquent</b>
CT 9, Block Group 1	10.2%
CT 10	11.6%

Included in the dataset, HUD also provided the estimated number of foreclosure starts that occurred during the time frame of July 2009 through June 2010 along with the estimated number of foreclosures that occurred (completed) during the same time frame. CT 10 is estimated to have had 28 foreclosures started and 19 completed during this one-year period.

Table 3: Estimated foreclosure starts and completions, July 2009 – June 2010

<b>Area</b>	<b>Estimated Foreclosure Starts July '09 - June '10</b>	<b>Estimated completed Foreclosure July '09 - June '10</b>
CT 9, Block Group 1	6	4
CT 10	28	19

The City of South Bend previously compiled Sheriff Sale data for the years 2001-2007. At Sheriff Sale, properties that are going through foreclosure are officially purchased back by the lending institution – one of the final steps of the foreclosure process.

Table 4: Foreclosures occurring from 2001-2007

<b>Area</b>	<b>Total Foreclosures from 2001-2007</b>	<b>Percentage of All South Bend Foreclosures</b>
CT 9	109	1.61%
CT 10	284	4.19%

In addition, HUD data included the number of residential addresses and the number of residential addresses not receiving mail, based on information from the U.S. Postal Service regarding addresses that have been vacant for 90 days or longer as of March 2010. This data was used to determine the residential vacancy rate. Vacancy can be an indicator of abandonment and foreclosure, as long term vacant properties tend to be the result of the owner walking away from the property and/or the foreclosure process. Vacant properties can have a compounding negative effect on neighborhoods – vacancy leads to more vacancy due to disinvestment.

Table 5: Percentage of residential units vacant, as of March 2010

<b>Area</b>	<b>Percentage of Residential Vacancy</b>
9, Block Group 1	10.1%
10	14.3%

Between the percentage of mortgages considered seriously delinquent, the number of foreclosure starts, foreclosure completions, the past history of foreclosure and the vacancy rate, it is clear that CT 10 and 9 have been negatively impacted by the housing crisis.

In addition to reviewing data, the City of South Bend closely examined the local housing conditions, as *strongly* recommended by HUD. HUD also emphasized using NSP3 funds to: (1) **stabilize** not revitalize, (2) stressed selecting a smaller target area than that used in NSP1, and (3) an area that could be visibly impacted by NSP3 funds.

Additionally, the CT 10 and 9 have fewer homes currently on the market than other areas of the City. Homes sell at a quicker rate in this area due to the private & public investment taking place. Another positive factor is the economic diversity of the area, which makes for a strong neighborhood. All of these are positive factors for expending funds in the northeast side.

After review of HUD's NSP3 Program Design Guidebook and consideration of South Bend's housing market (weak market – high supply of housing with low demand) it became apparent that in many areas of the City, HUD would not favor adding housing to an already overwhelmed market. However, it was determined that given the local housing market, funds would be able to stabilize and make a visible impact – as emphasized by HUD – if used in the northeast neighborhood as this investment would complement past work, add additional housing options to a stronger market for housing and would assist in helping to create a mixed income neighborhood (households with up to 120% of area median income to qualify to purchase homes). While other areas of the City may require revitalization, the NSP3 funds would be insufficient to fundamentally change market conditions or to create a meaningful impact in these areas.

When considering the focus on stabilizing and impact, as well as market conditions in conjunction with the data, it is evident that working in the northeast neighborhood is the best use of NSP3 funds. The selected target area, which has a NSP3 need score of 18.91, includes a portion of CT 10 and a minimal part of CT 9 (6 blocks of one side of the street is in both CT 9 and the target area).

Given the limited number of activities and a single target area geography, a tiered approach will not be used.

### ***3. Definitions and Descriptions***

#### ***Definitions***

<b><i>Term</i></b>	<b><i>Definition</i></b>
--------------------	--------------------------



<i>Blighted Structure</i>	<p>Indiana Code 36-7-9 – Chapter 9 Unsafe Building Law. The City of South Bend will adopt the State of Indiana’s definition of blight, which they call unsafe buildings and unsafe premises. IC 36-7-9-4 Sec. 4 states:</p> <p>(a) For purposes of this chapter, a building or structure, or any part of a building or structure, that is:</p> <ul style="list-style-type: none"><li>(1) in an impaired structural condition that makes it unsafe to a person or property;</li><li>(2) a fire hazard;</li><li>(3) a hazard to the public health;</li><li>(4) a public nuisance;</li><li>(5) dangerous to a person or property because of a violation of a statute or ordinance concerning building condition or maintenance; or</li><li>(6) vacant and not maintained in a manner that would allow human habitation, occupancy, or use under the requirements of a statute or an ordinance; is considered an unsafe building.</li></ul> <p>(b) For purposes of this chapter:</p> <ul style="list-style-type: none"><li>(1) an unsafe building; and</li><li>(2) the tract of real property on which the unsafe building is located; are considered unsafe premises.</li></ul> <p>(c) For purposes of this chapter, a tract of real property that does not contain a building or structure, not including land used for production agriculture, is considered an unsafe premises if the tract of real property is:</p> <ul style="list-style-type: none"><li>(1) a fire hazard;</li><li>(2) a hazard to public health;</li><li>(3) a public nuisance; or</li><li>(4) dangerous to a person or property because of a violation of a statute or an ordinance.</li></ul>												
<i>Affordable Rents</i>	<p>NSP assisted units will carry rent and occupancy restriction requirements. The rents will be set so that households pay no more than the applicable fair market rents as published by HUD for the area less any utility costs paid by the tenant.</p> <p>The 2011 Fair Market Rents (FMR) South Bend-Mishawaka, IN HUD Metro:</p> <table><tr><td></td><td>Efficiency</td><td>One-Bedroom</td><td>Two-Bedroom</td><td>Three-Bedroom</td><td>Four-Bedroom</td></tr><tr><td>Final FY 2011 FMR</td><td>\$542</td><td>\$602</td><td>\$725</td><td>\$930</td><td>\$958</td></tr></table>		Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom	Final FY 2011 FMR	\$542	\$602	\$725	\$930	\$958
	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom								
Final FY 2011 FMR	\$542	\$602	\$725	\$930	\$958								

## Descriptions

Term	Definition
Long-Term Affordability	<p>HUD requires that grantees include provisions for long-term affordability: that the sale, rental, or redevelopment of abandoned and foreclosed upon homes and residential properties remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income (AMI). <u>At a minimum, the City of South Bend will follow the HOME Investment affordability guidelines for homebuyer and rental units assisted. The City's long term affordability policy is as follows:</u></p> <p><b><u>For Homebuyers:</u></b> <b><u>Recapture Policy</u></b></p> <p><u>The amount of equity to be returned to the initial home buyer of an affordable housing unit rehabilitated with NSP3 Funds (Homeowner) (Unit), and the amount of NSP3 funds subject to recapture as required of HOME funds under 24 CFR Part 92, Section 92.254, with respect to such Unit, will be determined as follows:</u></p> <ol style="list-style-type: none"> <li><u>1. NSP3 funds expended for eligible activities in connection with the development of affordable housing, and which are allocable to such unit, will not be recaptured upon the initial sale by the recipient of NSP3 funds of such Unit.</u></li> <li><u>2. NSP3 funds will be deemed allocated to a Unit (the Allocation) in accordance with the scope of the project wholly or partially financed by such NSP3 funds. In the case of a project consisting solely of affordable housing units, NSP3 funds shall be allocable to each Unit developed by the project in the same proportion the NSP3 funds bear to the total of all funds expended in completing the project.</u></li> <li><u>3. The total NSP3 investment in the Unit that is subject to recapture upon sale of the Unit by the Homeowner, and each subsequent sale during the minimum period described in paragraph number 4, herein below (Recapture Amount) (Recapture Period), is that portion of the Allocation that enabled the Homeowner to buy the Unit. This includes that portion of the Allocation used in the form of a direct subsidy to the Homeowner that reduced the Homeowner's purchase price for the Unit from the fair market value of the Unit (as determined by</u></li> </ol>

an independent appraisal of the after-rehabilitation value of the Unit) to an affordable price (determined to be the Homeowner's purchase price for the Unit).

The City of South Bend will recapture an amount that does not exceed the net sale proceeds from the sale of the property. The City of South Bend will recapture the outstanding balance based on the following "Recapture Amount" guidelines; however this amount shall never be greater than the net sale proceeds. If there were no net sale proceeds then the City of South Bend would recapture zero.

4. The Recapture Amount is subject to recapture under these guidelines for the following minimum periods:

- A. Five (5) years where the Allocation is less than \$15,000.00;
- B. Ten (10) years where the Allocation is \$15,000.00 to \$40,000.00;
- C. Fifteen (15) years where the Allocation is greater than \$40,000.00.

5. The deed effectuating the subsequent sale of the Unit by the Homeowner, and the deeds effectuating each subsequent sale of the Unit during the Recapture Period, shall reflect the balance of the Recapture Amount yet to be recaptured.

6. Upon the satisfaction of the recapture requirements with respect to any Unit, the City of South Bend shall promptly issue a certificate of satisfaction regarding the same and cause the recording of the same in the Office of the Recorder of St. Joseph County.

#### Resale Policy

The City of South Bend will utilize the resale policy when there is no direct subsidy to the homeowner, but rather when there is a construction or development subsidy to the property. A construction or development subsidy to the property occurs when the amount of NSP3 funds invested in the property exceeds the fair market value of the property after rehab. In such cases the property must be resold to an income eligible household making no more than 120% of AMI. The sale price of the home will be determined by an appraisal, and the PITI will not exceed 30% of the new buyer's monthly net income.

	<p><b><u>For Rentals:</u></b></p> <p>The minimum affordability period required by NSP3 is to be the same as required by the HOME program, which is:</p> <table border="1" data-bbox="699 405 1382 695"> <tr> <th>NSP3 Investment per unit</th><th>Length of the affordability period</th></tr> <tr> <td>Less than \$15,000</td><td>5 years</td></tr> <tr> <td>\$15,000 to \$40,000</td><td>10 years</td></tr> <tr> <td>More than \$40,000</td><td>15 years</td></tr> <tr> <td>New construction of rental housing</td><td>20 years</td></tr> </table> <p>Rent, occupancy and affordability requirements will be enforced with deed restrictions that shall run with the land, and shall be in full force and effect until the date of affordability period has expired. The recorded deed restriction shall state the number of years from the date of execution the restriction shall be in affect and shall have a date of expiration <u>(based on above table)</u>.</p> <p><u>Any rental provided through Activity Two – Permanent Rental Housing for Special Needs Populations – will remain rental for eligible households making no more than 50% AMI for the duration of the affordability period.</u></p>	NSP3 Investment per unit	Length of the affordability period	Less than \$15,000	5 years	\$15,000 to \$40,000	10 years	More than \$40,000	15 years	New construction of rental housing	20 years
NSP3 Investment per unit	Length of the affordability period										
Less than \$15,000	5 years										
\$15,000 to \$40,000	10 years										
More than \$40,000	15 years										
New construction of rental housing	20 years										
<p><i>Housing Rehabilitation Standards</i></p>	<p>The City of South Bend follows the Indiana Residential Code – 2005, (a). International Residential Code, 2003; (b). Indiana amendments. This code also covers plumbing and heating. The City follows the Indiana Electrical Code; (a). NFPA 70, National electrical code, 2005; (b). Indiana Amendments.</p> <p>South Bend will also implement the following as specifically required by HUD:</p> <ul style="list-style-type: none"> <li>○ All gut rehabilitation or new construction (i.e., general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns or load bearing interior or exterior walls) of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.</li> <li>○ All gut rehabilitation or new construction of mid -or high-rise multifamily housing must be designed to meet American Society of Heating,</li> </ul>										

	<p>Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy).</p> <ul style="list-style-type: none"> <li>○ Other rehabilitation must meet these standards to the extent applicable to the rehabilitation work undertaken, e.g., replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-46 labeled products.</li> <li>○ Water efficient toilets, showers, and faucets, such as those with the WaterSense label, must be installed.</li> <li>○ Where relevant, the housing should be improved to mitigate the impact of disasters (e.g. earthquake, hurricane, flooding, and fires).</li> </ul>
--	---

#### **4. Low-Income Targeting**

##### **Low-Income Set-Aside Amount**

*Enter the low-income set-aside percentage in the first field. The field for total funds set aside will populate based on the percentage entered in the first field and the total NSP3 grant.*

**Identify the estimated amount of funds appropriated or otherwise made available under the NSP3 to be used to provide housing for individuals or families whose incomes do not exceed 50 percent of area median income.**

*Response:*

*Total low-income set-aside **percentage** (must be no less than 25 percent): 25.00%*

*Total funds set aside for low-income individuals = \$427,177*

##### **Meeting Low-Income Target**

**Provide a summary that describes the manner in which the low-income targeting goals will be met.**

*Response:*

The City will partner with a local service provider in order to develop a

residential facility for a special needs population which will provide permanent rental housing to individuals with incomes not to exceed 50% of area median income.

## **5. Acquisition and Relocation**

### **Demolition or Conversion of LMI Units**

<i>Does the grantee intend to demolish or convert any low- and moderate-income dwelling units (i.e., <math>\leq</math> 80% of area median income)?</i>	No
--	----

*If yes, fill in the table below.*

<b>Question</b>	<b>Number of Units</b>
<i>The number of low- and moderate-income dwelling units—i.e., <math>\leq</math> 80% of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.</i>	N/A
<i>The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., <math>\leq</math> 120% of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).</i>	N/A
<i>The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.</i>	N/A

## **6. Public Comment**

### **Citizen Participation Plan**

***Briefly describe how the grantee followed its citizen participation plan regarding this proposed substantial amendment or abbreviated plan.***

*Response:*

The City of South Bend has a public participation process for substantial amendments outlined in the Housing & Community Development Plan. Following this process the City will make the proposed substantial amendment available to the public, both in hard copy and via the City website, during a 15-day public comment period in order to allow public comment regarding the proposal.

### **Summary of Public Comments Received**

*The summary of public comments received is included as an attachment.*

## 7. NSP Information by Activity

*Enter each activity name and fill in the corresponding information.*

*Consult the [NSP3 Program Design Guidebook](#) for guidance on completing the "Performance Measures" component of the activity tables below.*

<b>Activity Number 1</b>	
<b>Activity Name</b>	<i>Redevelop demolished or vacant properties</i>
<b>Uses</b>	<i>Select all that apply:</i>
	<input type="checkbox"/> <i>Eligible Use A: Financing Mechanisms</i>
	<input type="checkbox"/> <i>Eligible Use B: Acquisition and Rehabilitation</i>
	<input type="checkbox"/> <i>Eligible Use C: Land Banking</i>
	<input type="checkbox"/> <i>Eligible Use D: Demolition</i>
	<input checked="" type="checkbox"/> <i>Eligible Use E: Redevelopment</i>
<b>CDBG Activity or Activities</b>	<p>24 CFR 570.201(a) Acquisition, (b) Disposition, (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties, (n) Direct homeownership assistance (as modified below).</p> <ul style="list-style-type: none"> <li>• 24 CFR 570.202 Eligible rehabilitation and preservation activities for demolished or vacant properties.</li> <li>• 24 CFR 570.204 Community based development organizations.</li> <li>• HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost.</li> </ul> <p>New construction of housing is eligible as part of the redevelopment of demolished or vacant properties.</p>
<b>National Objective</b>	<i>Low Moderate Middle Income Housing (LMMH)</i>
<b>Activity Description</b>	<p>There is a relatively strong housing market in the northeast neighborhood. As such this activity will reinforce past redevelopment efforts (creation of market rate housing and homes for households with up to 80% area median income) and provide additional housing options for a mixed income neighborhood.</p> <p>The estimated number of properties needed to be impacted, as provided by HUD in its NSP3 Planning Data for the City of South Bend's target area, is three (3). The City proposes impacting five (5) properties, more than the minimum</p>

			<p>required, due to the stronger market in the target geography. It is believed that the target area's market will support the five homebuyer opportunities in part because the northeast neighborhood has private development efforts occurring near the University of Notre Dame that have strengthened the market in the surrounding area.</p> <p>The tenure of the beneficiaries will be homeowners. The affordability period will be in compliance with the affordability period as listed on page 9. A deed restriction will require the duration of continued affordability.</p> <p>The City of South Bend will include in its contracts, and require its sub-receipts to include in its contracts, that when there is a need to hire additional employees based on the increased workload from the award of a NSP3 contract it shall make a best effort to hire an individual(s) that resides in the vicinity of the project. Although there is a preference for vicinity hiring it is recognized that companies have additional criteria for hiring employees which could include, but is not limited to: has the skills and ability required of the position, work history, reliable transportation, etc. Currently, no construction companies are located within the target area.</p> <p>NSP3 funds will not be used to create affordable rentals so identifying "procedures used to create preferences for the development of affordable rental housing" does not apply.</p>
<b>Location Description</b>			This activity will take place in Census Tract 9, <u>Block Group 1</u> & Census Tract 10.
<b>Budget</b>	<b>Source of Funding</b>	<b>Dollar Amount</b>	
	NSP3		\$ 1,110,660
	(Other funding source)		\$
	(Other funding source)		\$
<b>Total Budget for Activity</b>			\$1,110,660
<b>Performance Measures</b>			Construct and/or redevelop five (5) homes for households with income between 0 and 120 percent of the area median income.
<b>Projected Start Date</b>			July 1, 2011
<b>Projected End Date</b>			July 1, 2013
<b>Responsible Organization</b>	<b>Name</b>	The City of South Bend Division of Community Development, acting for itself or through partnering agencies, will carry out this activity.	
	<b>Location</b>	1200 County-City Building	



		227 W. Jefferson Blvd. South Bend, IN 46601
	<b>Administrator Contact Info</b>	Pamela C. Meyer Director, Community Development By Phone: 574-235-5845 By Fax: 574-235-9697 By Email: <a href="mailto:pmeyer@southbendin.gov">pmeyer@southbendin.gov</a>

<b>Activity Number 2</b>											
<b>Activity Name</b>	Permanent Rental Housing for Special Need Populations										
<b>Use</b>	<p>Select all that apply:</p> <table border="1"> <tr> <td><input type="checkbox"/></td><td>Eligible Use A: Financing Mechanisms</td></tr> <tr> <td><input type="checkbox"/></td><td>Eligible Use B: Acquisition and Rehabilitation</td></tr> <tr> <td><input type="checkbox"/></td><td>Eligible Use C: Land Banking</td></tr> <tr> <td><input type="checkbox"/></td><td>Eligible Use D: Demolition</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Eligible Use E: Redevelopment</td></tr> </table>	<input type="checkbox"/>	Eligible Use A: Financing Mechanisms	<input type="checkbox"/>	Eligible Use B: Acquisition and Rehabilitation	<input type="checkbox"/>	Eligible Use C: Land Banking	<input type="checkbox"/>	Eligible Use D: Demolition	<input checked="" type="checkbox"/>	Eligible Use E: Redevelopment
<input type="checkbox"/>	Eligible Use A: Financing Mechanisms										
<input type="checkbox"/>	Eligible Use B: Acquisition and Rehabilitation										
<input type="checkbox"/>	Eligible Use C: Land Banking										
<input type="checkbox"/>	Eligible Use D: Demolition										
<input checked="" type="checkbox"/>	Eligible Use E: Redevelopment										
<b>CDBG Activity or Activities</b>	<p>24 CFR 570.201(a) Acquisition, (b) Disposition, (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties, (n) Direct homeownership assistance (as modified below).</p> <ul style="list-style-type: none"> <li>• 24 CFR 570.202 Eligible rehabilitation and preservation activities for demolished or vacant properties.</li> <li>• 24 CFR 570.204 Community based development organizations.</li> <li>• HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost.</li> </ul> <p>New construction of housing is eligible as part of the redevelopment of demolished or vacant properties.</p>										
<b>National Objective</b>	<i>Low-Income Housing to Meet 25% Set-Aside (LH25)</i>										
<b>Activity Description</b>	<p>There is a relatively strong housing market in the northeast neighborhood. As such this activity will reinforce past redevelopment efforts (creation of market rate housing and homes for households with up to 80% area median income) and provide additional housing options for a mixed income neighborhood.</p> <p>There is a need to have housing for special needs populations in all communities. In South Bend, partner agencies currently</p>										

	<p>provide these housing opportunities; however, the facilities were not built for this purpose, so many are inefficient, antiquated and not ideally suited for those residing in them. As such, NSP3 funds will help to build a new facility to replace one of those that no longer meets the needs of its residents. When determining where to locate housing for a special needs population, there are a number of factors to consider such as zoning requirements, location of vacant or demolished properties that meet NSP3 criteria, access to public transportation, proximity to other residential facilities for special need populations (if applicable), and service provider needs (proximity to resident services, etc.). The northeast neighborhood is near the main offices of two potential partnering agencies which provide housing for special needs populations, is near downtown, has access to public transit and has a strong neighborhood association which can help residents be part of a larger community.</p> <p>This Activity will meet the low income housing requirement of providing housing to those at or below 50% of area median income by providing housing to special need populations. The tenure of the beneficiaries will be rental. The affordability period will be in compliance with the affordability period as listed on page 12. A deed restriction will require the duration of continued affordability.</p> <p>The City of South Bend will include in its contracts, and require its sub-receipts to include in its contracts, that when there is a need to hire additional employees based on the increased workload from the award of a NSP3 contract it shall make a best effort to hire an individual(s) that resides in the vicinity of the project. Although there is a preference for vicinity hiring it is recognized that companies have additional criteria for hiring employees which could include, but is not limited to: has the skills and ability required of the position, work history, reliable transportation, etc. Currently, no construction companies are located within the target area.</p> <p><u><i>The City of South Bend is demonstrating a rental preference by allocating a portion of its NSP3 funds to provide permanent rental housing for special need populations whose household income does not exceed 50% AMI.</i></u></p>	
<b>Location Description</b>	This activity will take place in Census Tract 9, <u>Block Group 1</u> & Census Tract 10.	
<b>Budget</b>	<b>Source of Funding</b>	<b>Dollar Amount</b>
	NSP3	\$427,177 493,047
	(Other funding source)	\$
	(Other funding source)	\$
<b>Total Budget for Activity</b>		\$427,177 493,047

<b>Performance Measures</b>	Development of one (1) rental residential facility for special need populations. All individual beneficiaries will have incomes at or below 50% of area median income.	
<b>Projected Start Date</b>	July 1, 2011	
<b>Projected End Date</b>	September 1, 2013	
<b>Responsible Organization</b>	<b>Name</b>	The City of South Bend Division of Community Development, acting for itself or through partnering agencies, will carry out this activity.
	<b>Location</b>	1200 County-City Building 227 W. Jefferson Blvd. South Bend, IN 46601
	<b>Administrator Contact Info</b>	Pamela C. Meyer Director, Community Development By Phone: 574-235-5845 By Fax: 574-235-9697 By Email: <a href="mailto:pmeyer@southbendin.gov">pmeyer@southbendin.gov</a>

<b>Activity Number 3</b>		
<b>Activity Name</b>	Planning and Administrative Costs	
<b>Use</b>	Select all that apply:	
	<input type="checkbox"/>	Eligible Use A: Financing Mechanisms
	<input type="checkbox"/>	Eligible Use B: Acquisition and Rehabilitation
	<input type="checkbox"/>	Eligible Use C: Land Banking
	<input type="checkbox"/>	Eligible Use D: Demolition
	<input type="checkbox"/>	Eligible Use E: Redevelopment
<b>CDBG Activity or Activities</b>	Planning and Administration (24 CFR 570.205, 24 CFR 570.206), Pre-Award Costs (24 CFR 570.200(h))	
<b>National Objective</b>	(Select One)	
<b>Activity Description</b>	This Activity will allow for the implementation of all listed Activities.	
<b>Location Description</b>	This Activity will impact all of the areas impacted by all other Activities.	
<b>Budget</b>	<b>Source of Funding</b>	<b>Dollar Amount</b>
	NSP3	<del>\$170,870</del> 105,000
	(Other funding source)	\$
	(Other funding source)	\$
<b>Total Budget for Activity</b>		<del>\$170,870</del> 105,000
<b>Performance</b>	Successful expenditure of 50% of all awarded NSP3 funds	

**The City of South Bend Neighborhood Stabilization Program 3**  
Substantial Amendment

<b>Measures</b>	within the required 2 year timeframe and expenditure of 100% of funds within the required 3 year timeframe. Monitoring of partner agencies.	
<b>Projected Start Date</b>	July 1, 2011	
<b>Projected End Date</b>	July 1, 2014	
<b>Responsible Organization</b>	<b>Name</b>	The City of South Bend Division of Community Development, acting for itself or through partnering agencies, will carry out this activity.
	<b>Location</b>	1200 County-City Building 227 W. Jefferson Blvd. South Bend, IN 46601
	<b>Administrator Contact Info</b>	Pamela C. Meyer Director, Community Development By Phone: 574-235-5845 By Fax: 574-235-9697 By Email: <a href="mailto:pmeyer@southbendin.gov">pmeyer@southbendin.gov</a>

## **SECTION II. Certifications**

### **Certifications for State and Entitlement Communities**

(1) **Affirmatively furthering fair housing.** *The jurisdiction certifies that it will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.*

(2) **Anti-displacement and relocation plan.** *The applicant certifies that it has in effect and is following a residential anti-displacement and relocation assistance plan.*

(3) **Anti-lobbying.** *The jurisdiction must submit a certification with regard to compliance with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.*

(4) **Authority of jurisdiction.** *The jurisdiction certifies that the consolidated plan or abbreviated plan, as applicable, is authorized under state and local law (as applicable) and that the jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.*

(5) **Consistency with plan.** *The jurisdiction certifies that the housing activities to be undertaken with NSP funds are consistent with its consolidated plan or abbreviated plan, as applicable.*

(6) **Acquisition and relocation.** *The jurisdiction certifies that it will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the notice for the NSP program published by HUD.*

(7) **Section 3.** *The jurisdiction certifies that it will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.*

(8) **Citizen participation.** *The jurisdiction certifies that it is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.*

(9) **Following a plan.** *The jurisdiction certifies it is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD. [Only States and entitlement jurisdictions use this certification.]*

*(10) **Use of funds.** The jurisdiction certifies that it will comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and Title XII of Division A of the American Recovery and Reinvestment Act of 2009 by spending 50 percent of its grant funds within 2 years, and spending 100 percent within 3 years, of receipt of the grant.*

*(11) **The jurisdiction certifies:***

- a. that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income; and*
- b. The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.*

*(12) **Excessive force.** The jurisdiction certifies that it has adopted and is enforcing:*

- a. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations; and*
- b. A policy of enforcing applicable state and local laws against physically barring entrance to, or exit from, a facility or location that is the subject of such nonviolent civil rights demonstrations within its jurisdiction.*

*(13) **Compliance with anti-discrimination laws.** The jurisdiction certifies that the NSP grant will be conducted and administered in conformity with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.*

*(14) **Compliance with lead-based paint procedures.** The jurisdiction certifies that its activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.*

(15) **Compliance with laws.** *The jurisdiction certifies that it will comply with applicable laws.*

(16) **Vicinity hiring.** *The jurisdiction certifies that it will, to the maximum extent feasible, provide for hiring of employees that reside in the vicinity of NSP3 funded projects or contract with small businesses that are owned and operated by persons residing in the vicinity of NSP3 projects.*

(17) **Development of affordable rental housing.** *The jurisdiction certifies that it will abide by the procedures described in its NSP3 Abbreviated Plan to create preferences for the development of affordable rental housing for properties assisted with NSP3 funds.*

  
\_\_\_\_\_  
Signature/Authorized Official

2-28-11  
Date

  
\_\_\_\_\_  
Title

## ***APPENDIX I: Map Submission***

*The following map and data was generated using the HUD NSP3 Mapping Tool for Preparing Action Plan website and is a required attachment.*

## NSP3 Target Area

### Northeast Neighborhood





Neighborhood ID: 2852294

#### **NSP3 Planning Data**

Grantee ID: 1828860E  
Grantee State: IN  
Grantee Name: SOUTH BEND  
Grantee Address:  
Grantee Email: emaradik@southbendin.gov

Neighborhood Name: Northeast Target Area  
Date: 2011-02-08 00:00:00

#### NSP3 Score

The neighborhoods identified by the NSP3 grantee as being the areas of greatest need must have an individual or average combined index score for the grantee's identified target geography that is not less than the lesser of 17 or the twentieth percentile most needy score in an individual state. For example, if a state's twentieth percentile most needy census tract is 18, the requirement will be a minimum need of 17. If, however, a state's twentieth percentile most needy census tract is 15, the requirement will be a minimum need of 15. If more than one neighborhood is identified in the Action Plan, HUD will average the Neighborhood Scores, weighting the scores by the estimated number of housing units in each identified neighborhood.

Neighborhood NSP3 Score: 18.91  
State Minimum Threshold NSP3 Score: 17  
Total Housing Units in Neighborhood: 738

#### Area Benefit Eligibility

Percent Persons Less than 120% AMI: 83.82  
Percent Persons Less than 80% AMI: 69.61

#### Neighborhood Attributes (Estimates)

##### *Vacancy Estimate*

USPS data on addresses not receiving mail in the last 90 days or "NoStat" can be a useful measure of whether or not a target area has a serious vacancy problem. For urban neighborhoods, HUD has found that neighborhoods with a very high number vacant addresses relative to the total addresses in an area to be a very good indicator of a current for potentially serious blight problem.

The USPS "NoStat" indicator can mean different things. In rural areas, it is an indicator of vacancy. However, it can also be an address that has been issued but not ever used, it can indicate units under development, and it can be a very distressed property (most of the still flood damaged properties in New Orleans are NoStat). When using this variable, users need to understand the target area identified.

In addition, the housing unit counts HUD gets from the US Census indicated above are usually close to the residential address counts from the USPS below. However, if the Census and USPS counts are substantially different for your identified target area, users are advised to use the information below with caution. For example if there are many NoStats in an area for units never built, the USPS residential address count may be larger than the Census number; if the area is a rural area largely served by PO boxes it may have fewer addresses than housing units.

USPS Residential Addresses in Neighborhood: 830  
Residential Addresses Vacant 90 or more days (USPS, March 2010): 98  
Residential Addresses NoStat (USPS, March 2010): 125

#### *Foreclosure Estimates*

HUD has developed a model for predicting where foreclosures are likely. That model estimates serious delinquency rates using data on the leading causes of foreclosures - subprime loans (HMDA Census Tract data on high cost and highly leveraged loans), increasing unemployment (BLS data on unemployment rate change), and fall in home values (FHFA data on house price change). The predicted serious delinquency rate is then used to apportion the state total counts of foreclosure starts (from the Mortgage Bankers Association) and REOs (from RealtyTrac) to individual block groups.

Total Housing Units to receive a mortgage between 2004 and 2007: 179

Percent of Housing Units with a high cost mortgage between 2004 and 2007: 51.13

Percent of Housing Units 90 or more days delinquent or in foreclosure: 11.47

Number of Foreclosure Starts in past year: 13

Number of Housing Units Real Estate Owned July 2009 to June 2010: 9

HUD is encouraging grantees to have small enough target areas for NSP 3 such that their dollars will have a visible impact on the neighborhood. Nationwide there have been over 1.9 million foreclosure completions in the past two years. NSP 1, 2, and 3 combined are estimated to only be able to address 100,000 to 120,000 foreclosures. To stabilize a neighborhood requires focused investment.

Estimated number of properties needed to make an impact in identified target area (20% of REO in past year): 3

#### Supporting Data

Metropolitan Area (or non-metropolitan area balance) percent fall in home value since peak value (Federal Housing Finance Agency Home Price Index through June 2010): -5.4

Place (if place over 20,000) or county unemployment rate June 2005\*: 5.9

Place (if place over 20,000) or county unemployment rate June 2010\*: 13.2

\*Bureau of Labor Statistics Local Area Unemployment Statistics

#### Market Analysis:

HUD is providing the data above as a tool for both neighborhood targeting and to help inform the strategy development. Some things to consider:

1. Persistent Unemployment. Is this an area with persistently high unemployment? Serious consideration should be given to a rental strategy rather than a homeownership strategy.
2. Home Value Change and Vacancy. Is this an area where foreclosures are largely due to a combination of falling home values, a recent spike in unemployment, and a relatively low vacancy rate? A down payment assistance program may be an effective strategy.
3. Persistently High Vacancy. Are there a high number of substandard vacant addresses in the target area of a community with persistently high unemployment? A demolition/land bank strategy with selected acquisition rehab for rental or lease-purchase might be considered.
4. Historically low vacancy that is now rising. A targeted strategy of acquisition for homeownership and rental to retain or regain neighborhood stability might be considered.
5. Historically high cost rental market. Does this market historically have very high rents with low vacancies? A strategy of acquiring properties and developing them as long-term affordable rental might be considered.

#### Latitude and Longitude of corner points

**The City of South Bend Neighborhood Stabilization Program 3**  
Substantial Amendment

---

-86.242955 41.682616 -86.241517 41.683521 -86.241485 41.682864 -86.239994 41.682872 -86.239994  
41.682688 -86.238470 41.682680 -86.238449 41.682336 -86.235273 41.682368 -86.235284 41.682247  
-86.233073 41.682271 -86.232998 41.682295 -86.230745 41.682344 -86.230745 41.682287 -86.230102  
41.682295 -86.230123 41.682432 -86.228074 41.682448 -86.228106 41.683762 -86.228117 41.686149  
-86.228181 41.688345 -86.229630 41.688337 -86.231024 41.690051 -86.235369 41.687399 -86.239307  
41.684916 -86.239371 41.687095 -86.240112 41.687087 -86.240122 41.688457 -86.240165 41.691181  
-86.243298 41.691125 -86.243298 41.689763 -86.243277 41.688008 -86.243234 41.687055 -86.243813  
41.687063 -86.243813 41.684523 -86.243953 41.684531 -86.243920 41.684162 -86.243620 41.684226  
-86.243513 41.683874 -86.243652 41.683714 -86.243727 41.683297 -86.243727 41.682560 -86.242965  
41.682528

Blocks Comprising Target Neighborhood

181410009001000, 181410009001013, 181410009001007, 181410009001001, 181410010001007,  
181410010001018, 181410010001017, 181410010001016, 181410010001015, 181410010001014,  
181410010001010, 181410010001009, 181410010001008, 181410010001005, 181410010002005,  
181410010002007, 181410010002006, 181410010002004, 181410010002001, 181410010002002,  
181410010002003, 181410010003000, 181410010003004, 181410010003006, 181410010003008,  
181410010003010, 181410010003012, 181410010003016, 181410010003013, 181410010003011,  
181410010003009, 181410010003007, 181410010003005, 181410010003003, 181410010004018,  
181410010004013, 181410010004012, 181410010004011,

## ***APPENDIX II: Public Comment***

A public comment period for this amendment was held from May 13 through May 27, 2011 at 5pm, and included a public hearing on Tuesday, May 24, 2011 at 5:30pm in the City of South Bend's Department of Community & Economic Development offices, 12<sup>th</sup> floor of the County-City Building, 227 W. Jefferson Blvd.

No comments from the public were received during the comment period.